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PARTNER INFORMATION

QUALIFIED DEFENSE CONTRACTOR TAX REFUND

How It Works

SUMMARY

The **Qualified Defense Contractor Tax Refund** is a tool to preserve and grow Florida's high technology employment base---giving Florida a competitive edge as defense contractors consolidate defense contracts, acquire new contracts, or convert to commercial production.

Pre-approved projects receive tax refunds of up to \$5,000 per job created or saved in Florida. Conversion of defense jobs to civilian production, the acquisition of a new defense contract, or the consolidation of a defense contract are eligible projects.

If approved, an applicant may receive refunds on taxes it pays related to the project. This includes corporate income, sales, ad valorem, intangible personal property, and certain other taxes. Up to 25 percent of the total refund may be taken per year as long as the business is maintaining employment and wage levels at the agreed upon level or higher.

There is a cap of \$7.5 million per single qualified applicant in all years and no more than \$2.5 million in tax refunds may be received in any fiscal year.

ELIGIBILITY

In order to participate, a company must apply to Enterprise Florida **prior to making a decision** to locate or expand in Florida.¹ In order to qualify for consideration under the program, an applicant must:

- Derive at least 70 percent of its Florida gross receipts from Department of Defense contracts in the last year and not less than 80 percent over the preceding five years;
- Demonstrate that the jobs created or retained make a significant economic contribution to the area economy;
- For contract **consolidation** projects an increase in employment of at least 25 percent or create at least 80 new Florida jobs; for defense production **conversion** projects a net increase in nondefense production jobs; for **reuse** projects a creation of at least 100 jobs;
- Pay an average wage of at least 115 percent of the state, metropolitan statistical area (MSA), or the local average wages. For a project located in a rural city, rural county or in an enterprise zone, the wage requirement may be waived in special circumstances. A rural city means a city with population of 10,000 or less (or less than 20,000 with prior approval). A rural county means a county with population of 75,000 or less;
- Demonstrate that the tax refund is necessary to allow the business to compete for the new contract or make the consolidation; and
- Provide a resolution from the county commission indicating the 20 percent required for local financial

¹ All final decisions on applications are based on all available information at that time. Any business decisions, such as announcements, leasing of space or hiring of employees, made prior to final QDC approval (and not made contingent upon QDC approval) will likely be grounds for disapproval. Projects that clearly do not require inducement will not be approved.

support will be available each year as refunds are due. (Projects located in designated Rural Economic Development Initiative counties may exercise an exemption to the local financial support requirement and accept a 20 percent reduction in refunds.)

APPLICATION PROCESS

- EFI staff will shepherd businesses and communities through the entire application process, ensuring that the company and community understand what is required for a complete, effective application. *The application is a critical part of this program. EFI and OTTED use it in evaluating the project. This information is the basis for the decision to approve or disapprove the application for QDC, as well as for determining the level of refund. Therefore, well thought-out, thorough responses are of utmost importance. The community can be of great assistance to the company in helping to complete certain portions of the application; in particular, the section entitled "Project Impact Information."*
- The application must be complete before Enterprise Florida can consider it; this includes providing the resolution from the city or county commission.
- EFI reports its evaluation of the application and recommendation to the Director of OTTED who makes the final decision on the project. While the law allows a total of 60 days to evaluate the completed application, this process will normally be accomplished in as little as two (2) weeks.

APPROVAL PROCESS

- OTTED's approval or disapproval of the application is in the form of a final order.
- If the application is approved, the final order will indicate the amount and schedule of tax refunds approved, as well as the number of jobs and average wage rate for the project jobs. These must be the same as stated in the application.
- While the law grants OTTED 30 days to approve or disapprove an application, a final decision will typically be rendered within two (2) weeks.
- Once the QDC application is approved, the business will begin working directly with OTTED To finalize the tax refund agreement. Within 30 days of issuance of the final order, the QDC business and the Director of OTTED must sign a written tax refund agreement.

REFUND PROCESS

- The business submits a claim each year for the scheduled tax refund and the community must pay its local match into the Economic Development Trust Fund.
- If all the terms of the tax refund agreement are met, then OTTED pays the refund.

Statutory Reference: [Section 288.1045, Florida Statute](#)